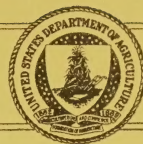


U. S. DEPARTMENT OF AGRICULTURE  
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AGRICULTURAL ADJUSTMENT ADMINISTRATION

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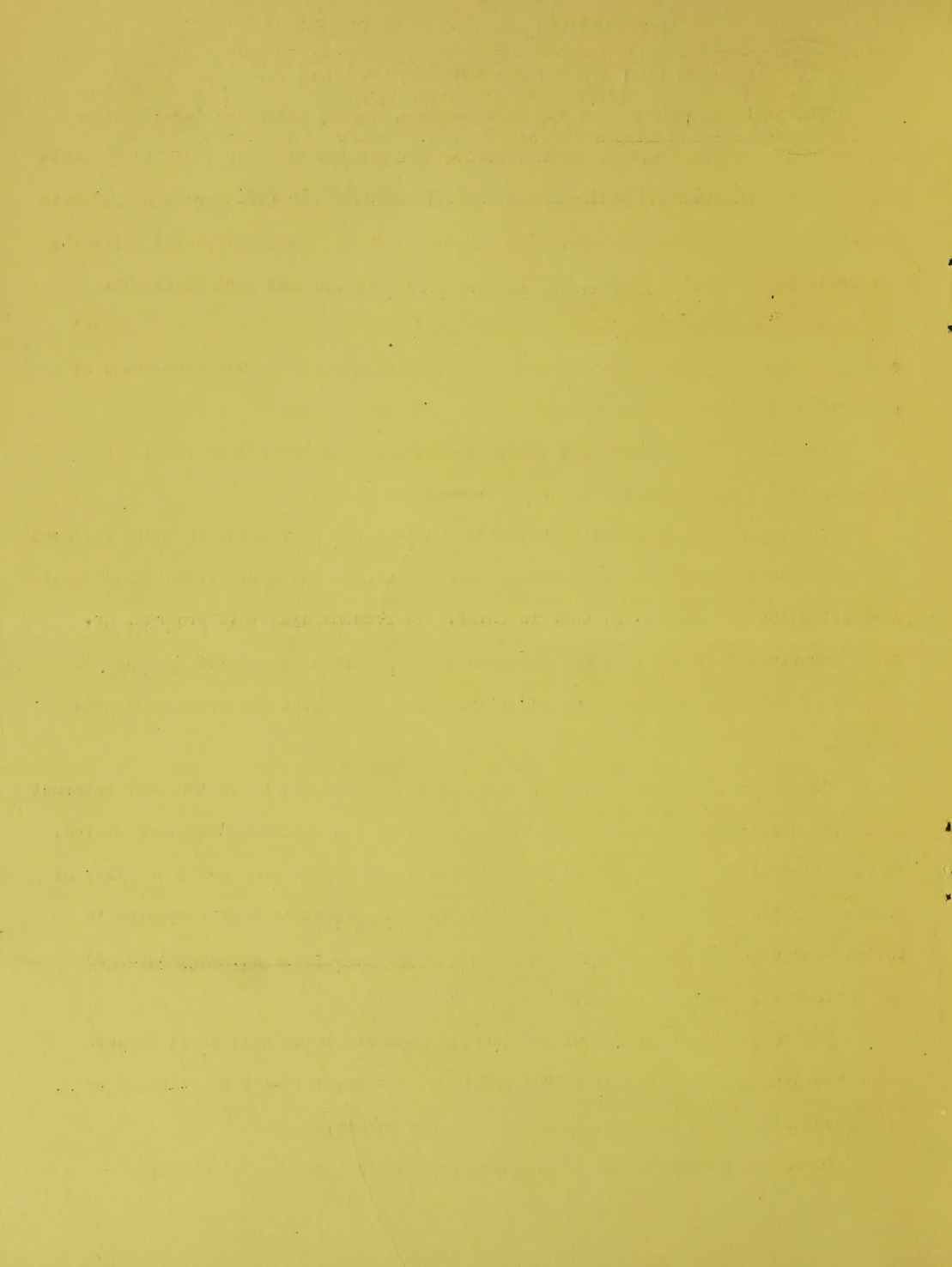
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of Press Conference, Wednesday, November 28, 1934.

1935 COTTON ADJUSTMENT  
PROGRAM IS ANNOUNCED

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A reduction of 25 percent from the base acreage of cooperating cotton producers for 1935, as compared with a 40 percent reduction in 1934, was officially announced today by Secretary of Agriculture Henry A. Wallace and Chester C. Davis, Administrator of the Agricultural Adjustment Act.

Acting under the terms of the 1934 and 1935 Cotton Acreage Reduction Contract, which provides that the maximum rate of reduction that can be required in 1935 is "to reduce the acreage planted to cotton on this farm by an amount not to exceed 25 percent below the base acreage", Secretary Wallace today signed a proclamation making effective for 1935 the approximately 1,004,000 two-year contracts signed during the early part of 1934. It also was announced that new one-year contracts for 1935 will be offered those producers who did not sign the two-year contract. It is expected that new contracts will be available soon so that they may be signed and accepted by March 1, 1935.



The basis of payment for the 1935 program, which, under the terms of the contract must be "similar" to those described in the contract for 1934, is  $3\frac{1}{2}$  cents per pound "on the average yield of lint cotton per acre for this farm for the years 1928-1932 with a maximum rental of \$18.00 per acre" for the acres rented under the contract, and a "parity payment" of  $1\frac{1}{4}$  cents per pound on the farm allotment.

The farm allotment, which is the equivalent of 40 percent of the farmers' average production for the base period of the farm represents that percentage of production which ordinarily moves into domestic consumption.

For the current crop year, 1934, the basis of payment was  $3\frac{1}{2}$  cents per pound as rental and a parity payment of 1 cent per pound.

The program as approved by Secretary Wallace and Administrator Davis followed the recommendations of the Cotton Production Section of the Agricultural Adjustment Administration of which C. A. Cobb is chief. In recommending this program, Mr. Cobb emphasized that the rate of reduction would permit an expansion of about 25 percent of the acreage planted by contracting producers over the acreage planted in 1934.

"Any rate of reduction less than 25 percent would not be to the best interest of cotton producers," the recommendations of the Cotton Production Section stated. "A reduction of 25 percent offers the possibility of maintaining world supplies of American cotton near present levels and the further possibility of returning to cotton producers the highest net income consistent with contract provisions and the outlook for American cotton."

The total amount of rental and benefit payments which will be disbursed under the program is estimated at \$94,330,000. The program will be financed by the processing tax of 4.2 cents per pound on raw cotton.

Important points in the 1935 cotton program include the following:





(1) Producers who desire to do so will be permitted to reduce up to and including 30 percent and receive payment therefor. The permitted reduction of an additional 5 percent is justified to permit more latitude in the arrangement of farm plans of individual producers.

(2) The base acreage of producers who are now signatory to contracts is approximately 58,210,000 acres. It is estimated that producers who did not sign contracts planted in 1934 a total of 6 million acres. If under the offer of new contracts, the base acreage is increased by one million acres, a reduction of the base acreage of approximately 39,210,000 acres by 25 percent would result in a total of 29,400,000 acres being planted by contract signers. If a total of 5 million acres is planted by non-contract signers, the total planted cotton acreage in 1935 would be approximately 34,400,000 acres. The planted acreage in 1934 was 28 million acres.

(3) With average abandonment of 2.4 percent, a total of 33,500,000 acres would be left for harvest in 1935. With yields at the 10-year average of 170 pounds per acre on the acreage harvested, the result would be a 12 million bale crop in 1935. (Production for 1934 was estimated on November 1 to be 9,637,000). With a reduced acreage, a somewhat higher yield per acre might result because of a tendency for more intensive cultivation, and other factors. Therefore, on the basis of average weather conditions, it would not be unreasonable to expect a crop somewhat above 12 million bales with the 25 percent reduction in 1935.

(4) It is estimated that with a 25 percent reduction, but without the Bankhead Cotton Control Act in effect for 1935, total production would be greater and probably would result in a crop of slightly above 13 million bales. Among the factors which would tend to increase total production if the Bankhead Act were not in effect for 1935, would be the development of new cotton lands and the probability



of a smaller percent of non-signers entering into contracts for the 1935 season. It was pointed out by the Cotton Production Section that probable production without the Bandhead Act is a matter of opinion and not subject to precise economic analysis.

(5) The average farm price for cotton for the year ending July 31, 1934, was 9.7 cents per pound. The parity price of cotton is at present 15.6 cents per pound.

(6) World supplies of American cotton are now indicated at 20,200,000 bales for the 1934-1935 crop year. This figure is in line with past averages of world supplies of American cotton. With foreign and domestic consumption of American cotton during the current year assumed at 11 to 12 million bales, the indicated carry-over on August 1, 1935 would be between 8 and 9 million bales, which is higher than a normal carry-over. A total production of about 12 million bales in 1935, would result in a world supply of American cotton for the 1935-1936 season of about 20 to 21 million bales, which might result in some increase over current supplies in spite of the maximum adjustment under the terms of the contract.

Secretary Wallace, in approving a program which entails the maximum adjustment possible under the terms of the contract made the following statement:

"In considering the 1935 cotton program, various suggestions have been thoroughly canvassed. These suggestions range from the relaxation of all adjustment of production to an even greater reduction than is possible under the present contracts. The course that has been adopted affords the greatest possibilities from the standpoint of the producer's interest. It should result in a continued ample supply of American cotton that can be purchased by foreign and domestic consumers at prices which, judged by past standards, are not unreasonable. At the same time, this program seeks to avoid the danger of piling up new and





disastrous surpluses. It is the nearest approach to a balance that can, under our present knowledge of existing circumstances, be devised. And under the Agricultural Adjustment Act we have a clear mandate from Congress to maintain such balance between production and consumption.

"The characteristic argument of those advocating unrestricted production is that such a course would restore our foreign markets. These persons believe that foreign buyers would take increasing quantities of American cotton at some price. They have apparently not considered the fact that a situation could easily develop which might result in producing a surplus amount of American cotton that could not be sold abroad at any price. In 1931 and 1932, United States maintained a relatively high volume of exports but prices to farmers were around 5 and 6 cents during those two years. I do not believe that unlimited production which, with other factors, forced prices down but maintained a high volume of exports proved to be any great benefit to the cotton farmer.

"I do not believe that the answer to the present grave cotton problem is to be found in abruptly returning to the policy of unrestricted production. The program for 1935, although providing for a reduction from the production to be expected in the absence of such a program, affords an expansion in acreage for that season as compared with 1934. If the response to this program is what we expect, and production factors next season are average, there will be some three million bales more cotton added to present supplies. This will maintain ample supplies of American cotton which, I hope, can be sold at a fair price. I could not subscribe to any attempted solution of the cotton problem which would force the farmers' price down to inordinately low levels in the hope that consumption will increase and the export movement revive. It does not necessarily follow that a reduction in price brought about by increased production would restore the former volume of cotton exports. There are other factors, such as the increasing



nationalistic trend of some of our foreign cotton customers, the decline in imports received in this country and the continued low level of foreign purchasing power that are more responsible for recent decline in export movement than the price or production policies in America. Increased production and a lower price might stimulate the volume of exports to some degree, but it is not altogether certain that such an increase in volume of exports would increase the volume of dollar exchange available to pay for cotton. It might simply mean that foreign cotton consumers would buy more cotton for the same amount of dollars.

"It also is apparent that there exists at present definite limitations to a continued expansion of cotton acreage in foreign countries under present and probable price levels. The additional areas available for cotton production throughout the world are rather limited. After a careful survey of world-wide prospects, the Bureau of Agricultural Economics, in the recent Outlook Report, comes to the conclusion that further expansion of cotton acreage in the immediate future outside of the United States is not likely to be a very serious factor in the world cotton situation and that most of the increase that occurred this year represents a restoration of previous reductions rather than new acreage brought in. So the conclusion would not seem warranted that under existing circumstances foreign cotton producing countries will increase their acreage and production because of the efforts of the United States producers to prevent the accumulation of new surpluses by holding supplies in line with apparent market possibilities.

"Therefore we have developed a program for 1935 that seems to offer the best opportunity for the cotton farmer to receive the greatest return for his labor and investment and which, we hope, will prevent a recurrence of the disastrous days of 1931 and 1932."





PROCLAMATION CONTINUING IN EFFECT FOR 1935  
THE 1934 and 1935 COTTON ACREAGE REDUCTION CONTRACTS

WHEREAS the 1934 and 1935 Cotton Acreage Reduction Contracts provide that the contracts shall apply only for 1934 unless the Secretary of Agriculture shall, not later than December 1, 1934, proclaim his purpose of continuing the Cotton Acreage Reduction Plan for 1935, and said contracts further provide that such proclamation shall state the percentage of reduction which will be required under such contracts for 1935 and that the Secretary of Agriculture shall not be required to give any notice to the producer other than a public proclamation which shall be given to the general press and copies thereof mailed to each County Committee.

NOW, THEREFORE, by virtue of the authority vested in the Secretary of Agriculture by the Agricultural Adjustment Act, approved May 12, 1933, as amended, and under the terms of the 1934 and 1935 Cotton Acreage Reduction Contracts, I do hereby prescribe and proclaim and give public notice by this proclamation (copies of which are being given to the general press and mailed to each County Committee) that--

- (1) It is the purpose of the Secretary of Agriculture to continue the Cotton Acreage Reduction Plan for 1935;
- (2) Each of the 1934 and 1935 Cotton Acreage Reduction Contracts in effect for 1934 is hereby continued in effect for 1935;



- (3) The producer under each 1934 and 1935 Cotton Acreage Reduction Contract shall reduce the acreage planted to cotton for harvest during the year 1935 on the farm covered by such contract twenty-five percent (25%) below the base acreage of such farm as defined under such contract;
- (4) The Secretary of Agriculture will accept the rental of additional acres not to exceed five percent (5%) of such base acreage and make rental payments for the rented acres not to exceed thirty percent (30%) of such base acreage on the basis set forth in paragraph 5 of this proclamation;
- (5) Rental payments on each of the acres rented under such contract to the Secretary of Agriculture for 1935 of three and one-half cents ( $3-1/2\text{¢}$ ) per pound on the average yield of lint cotton per acre for the particular farm in the years 1928-32, inclusive, with a maximum rental of eighteen dollars (\$18.00) per acre, shall under the terms of the contract be made to the producer in two equal installments, the first of which shall be made between March 1 and April 30, 1935, approximately, and the second of which shall be made between August 1 and September 30, 1935, approximately; and
- (6) Parity payment upon the farm allotment of not less than one and one-quarter cents ( $1-1/4\text{¢}$ ) per pound shall under





the terms of such contract be made to the producer  
(for distribution pursuant to the provisions of such  
contract) between December 1, 1935, and January 1,  
1936, approximately.

IN TESTIMONY WHEREOF I have  
hereunto set my hand and caused the  
official seal of the Department of  
Agriculture to be affixed at the  
City of Washington this 28th day  
of November, 1934.

Henry A. Wallace  
Secretary of Agriculture.

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